REED SMITH SHAW & McCLAY

1301 K STREET, N.W.
SUITE 1100 - EAST TOWER
WASHINGTON, D.C. 20005-3317
202-414-9200

PITTSBURGH, PA
PHILADELPHIA, PA
HARRISBURG, PA
McLEAN, VA
PRINCETON, NJ

FAX 202-414-9299

WRITER'S DIRECT DIAL NUMBER
(202) 414-9210

[redacted]

August 1, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222, Mail Stop 1170
Washington, D.C. 20554

Re: Ex Parte Submission in CC Docket No. 90-337, Phase II, and IB Docket No. 95-22

Dear Mr. Caton:

WorldCom, Inc. ("WorldCom") submits this letter to address long-pending issues regarding the nature and scope of the Commission's notification requirement in 47 C.F.R. § 43.51(a)(3) for certain international private lines ("IPLs") which are interconnected to the U.S. public switched network ("PSN").

In its Order on Reconsideration and Third Further Notice of Proposed Rulemaking, 7 FCC Rcd 7927 (1992) [hereinafter "Third Further Notice"] in CC Docket No. 90-337, Phase II, the Commission sought comments upon AT&T's proposal, inter alia, to expand the notification requirement to apply to "all existing international private line arrangements connected to the U.S. PSN [at a carrier's central office]." Third Further Notice, 7 FCC Rcd at 7929. The Commission recognized that AT&T submitted no data showing that central office interconnections were having a significant adverse impact upon U.S. settlements payments or the public interest. The Commission stated:

> "Our review of AT&T's petition and the responsive pleadings leads us to conclude that the record before us does not contain sufficient facts to demonstrate that end user interconnections at a carrier's premise are having a significant enough impact on the international settlements process to warrant regulatory treatment different from that applied to interconnection at an end user's premises." Id. at 7930.

Nevertheless, the Commission asked interested parties to comment on whether central office interconnections are undermining the Commission's international settlement policies and, if so, whether expanding the equivalency requirement, enlarging the notification requirement, or adopting other measures would be appropriate. Id. at 7931. The Commission specifically asked whether 47 C.F.R. § 43.51(a)(3) should be expanded to include all arrangements for interconnecting IPLs to the U.S. PSN, including those between a U.S. carrier and an end user. Id.

WorldCom and numerous other parties filed comments in response to the Third Further Notice. Neither AT&T nor any other party presented empirical evidence that central office interconnections are having a significant adverse impact upon the U.S. settlements imbalance. To the contrary, several parties submitted data that any such impact is de minimis. WorldCom advised the FCC that 3.7% of its IPLs were interconnected to the U.S. PSN at its central office. See Letter from R. Koppel, IDB Communications Group, Inc., to W. Caton, FCC (Sept. 17, 1993) (submitted on the record in CC Docket No. 90-337, Phase II). At present, only 3.2% of WorldCom's IPLs are interconnected to the U.S. PSN at its central office. If these data show a trend, it is towards fewer IPLs being interconnected at a carrier's central office.

Presumably, AT&T interconnects none of its IPLs to the U.S. PSN at a carrier's central office, so the percentage of total IPLs provided by U.S. carriers which are interconnected to the U.S. PSN at a carrier's central office is much lower than WorldCom's figure of 3.2%. Even assuming for the sake of argument that 3.2% of industry-wide IPLs are interconnected to the U.S. PSN at a carrier's central office, this would represent a tiny fraction of international telecommunications service revenues for U.S. carriers. In its report entitled "Trends in the International Telecommunications Industry" released in June, 1995, the Commission estimated (at Table 2, page 11) that IPL revenues constituted only 4.3% of total international revenues for U.S. carriers in 1993. Therefore, if 3.2% of all IPLs are interconnected to the U.S. PSN at a carrier's central office, such IPLs would account for less than .14% of total international service revenues for 1993.

The Coalition of International Telecommunications Users ("Coalition") provided similar data to the Commission on the record in CC Docket No. 90-337, Phase II. In a letter dated Dec. 6, 1993, the Coalition stated that, "[u]pon investigation," it has found that the interconnection of IPLs to the U.S. PSN at a carrier's central office is "relatively infrequent." Letter from J. Markoski, Counsel for Coalition, to D. Cornell, FCC (Dec. 6, 1993) at page 1. Rather, most IPLs interconnect with the U.S. PSN through customer PBXs or PBX-like equipment. Id. A principal reason for central office interconnections is to provide redundant and diverse routing capabilities. Id. at page 2. The Coalition concluded that central office interconnections are by far "the exception, rather than the rule." Id. WorldCom summarized these data on the extent of IPL interconnection at a carrier's central office in its filing on the record in CC Docket No. 90-337, Phase II. See "Response of IDB Communications Group, Inc.," CC Docket No. 90-337, Phase II, filed April 14, 1994.

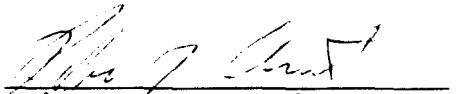
Given the stark absence of any data showing that central office interconnections have an adverse impact upon the U.S. settlements imbalance, as well as the substantial record data showing that any such impact is in fact de minimis, the Commission should not prohibit such interconnections or subject them to the equivalency standard. Nor should the Commission impose special Section 214 requirements upon U.S. IPL providers, as it has proposed in IB Docket No. 95-22. Rather, the Commission should consider adopting a broader notification rule so that it can monitor central office interconnections on a going-forward basis. If, on the basis of such notifications, the Commission believes there is cause for concern, then the Commission could issue a further rulemaking notice on the issue.

Should the Commission modify the notification rule, WorldCom recommends that it remove potential ambiguity under the current rule by requiring any U.S. carrier that interconnects an IPL to the U.S. PSN at its switch to notify the Commission of such interconnection. Only the switch-based carrier operating the entry switch into the United States will know whether the IPL is interconnected to the U.S. PSN at its central office. However, such a rule should not apply to IPLs to Canada, the U.K., or any other countries which the Commission finds have satisfied the equivalency standard. The Commission's stated reasons for scrutinizing the interconnection of IPLs into the U.S. PSN -- the need to guard against "one-way bypass" into the U.S. -- have no applicability to foreign countries with sufficiently open markets that the Commission has found them to satisfy the equivalency standard.

WorldCom also recommends that the Commission permit the reporting carrier to submit aggregate data on IPLs which are interconnected to the U.S. PSN at a carrier's central office. The Commission should not require the reporting carrier to disclose publicly the country of origin for the IPLs. (WorldCom would not object to a requirement that the reporting carrier submit country-specific data to the Commission on a confidential basis.) Typically, the number of interconnected IPLs from any given country is very small, often a single 64 KBPS IPL circuit. As a result, competing carriers might be able to identify specific customers from country-specific interconnection data filed by U.S. carriers. Further, some IPLs may originate from countries which have not yet adopted a policy on PSN interconnection at the U.S. end. If U.S. carriers are required to submit publicly-available information identifying countries of origin, such data could precipitate actions by foreign carriers and/or foreign regulatory authorities to restrict or prohibit such practices. In WorldCom's view, the U.S. public interest is promoted by lowering, not raising, entry barriers in foreign telecommunications markets.

Lastly, WorldCom wishes to note that the undersigned attorneys met with Diane Cornell, Peter Cowhey, Brian O'Connor, Susan O'Connell, Troy Tanner, Robert McDonald and Maureen McLaughlin of the International Bureau to discuss the concept of a notification requirement on July 17, 1995.

Respectfully submitted



Robert J. Aamoth

Robert S. Koppel
Vice President, International
Regulatory Affairs
WorldCom, Inc.
15245 Shady Grove Road
Suite 460
Rockville, MD 20850

cc: Peter Cowhey
Diane J. Cornell
Robert McDonald
Maureen McLaughlin
Susan O'Connell
Brian O'Connor
Troy Tanner